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SIPDIS

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SUBJECT: CHARGE MEETING WITH SECRETARY OF STATE FOR TOURISM  
AND TRADE

REF: (A) STATE 19814 (B) MADRID 00187

1. Summary: Charge reviewed outstanding trade issues with Spain's number two trade official, Pedro Mejia Gomez, on 2/2/05. Charge pressed for progress on rice talks, airbus negotiations, biotechnology, intellectual property rights, and wine. Mejia urged U.S. support for Pascal Lamy's WTO candidacy and said he was puzzled by the strong U.S. opposition to EU "automaticity" on the Foreign Sales Corporation (FSC). End Summary

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PARTICIPANTS  
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2. Mejia was accompanied by Secretary General for External Trade Alfredo Bonet Baiget and a staff person. Charge was accompanied by EconOff.

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RICE  
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3. Spain is the number two rice producer in the EU so it clearly has a stake on this topic. Reftel A clarifying the USG position that tariff reductions would come from bound, not applied, rates had not arrived by the time Charge met with Mejia. However, it was clear from the Spaniards that they are interested in the Commission arriving at an agreement with the U.S. Mejia and Bonet complained that the U.S. retaliation list was unfairly tilted towards Mediterranean countries and Spain in particular. They were concerned about clementines, saffron, and peaches. They were not so concerned about olives, saying withdrawal of U.S. concessions would mostly affect Greek producers.

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AIRBUS  
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4. Charge argued that the EU had to be willing to engage substantively on what constitutes an indirect subsidy and make an attempt to quantify their value for Large Civil Aircraft (LCA) production. Bonet noted that it was easy to quantify launch aid, but that it was in any case repaid with interest. In response to Charge's point that launch aid was nonetheless never granted by commercial lending institutions, Bonet conceded that nobody was "without sin". We got very little sense from Mejia and Bonet whether the GOS was willing to press the Commission to present genuinely substantive ideas on indirect aid.

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BIOTECHNOLOGY  
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5. Spain's trade policy officials typically do not engage on agricultural biotechnology. However, because Bonet represents his Ministry on the Inter-Ministerial Council on Transgenic Products, he was aware that the GOS has abstained four times on Commission biotechnology liberalization proposals, instead of voting in favor as the previous Aznar government would likely have done. Charge said the U.S. had noted the GOS's change in position. Charge also said that we were following with concern the GOS's proposals for a new co-existence law. He urged the GOS to conduct science-based determinations on approval applications and encouraged Spanish trade officials to take an interest in Cartagena Protocol on Biosafety issues. Bonet was clearly aware of at least some of our concerns but emphasized that the Ministries of Environment and Agriculture had the lead on these matters.

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INTELLECTUAL PROPERTY RIGHTS  
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6. Mejia and Bonet were aware of the Special 301 process and expressed appreciation for the fact that Spain is not on a watchlist. They said enforcement was the key here. Charge agreed but also noted the importance of Spain's transposing into national law the EU Copyright Directive because this would effectively make Spain's signature of the World

Intellectual Property Organization's (WIPO) "internet treaties" legally meaningful in Spain. Both Mejia and Bonet understood that one of the major purposes of the "internet treaties" is to make sure that internet service providers protect intellectual property. Bonet immediately caught on to the fact that in the Spanish context, this largely means Telefonica. Mejia and Bonet noted that their Ministry does not have the lead in transposing the EU Directive (the Culture Ministry does), but they understood the trade policy significance of action in this area.

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WINE  
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17. The discussion on this topic was not so fruitful as Bonet immediately went into a discussion on geographical indications, rather than traditional expressions. Mejia and Bonet were unaware of the U.S. compromise proposal.

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GOS CONCERNS  
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18. Mejia made a strong case for Pascal Lamy. Charge responded that the USG had not made a decision yet on whom to support, and that our main concern for now was to continue the substantive work associated with the Doha Round. Mejia also said that he could not understand why the U.S. was so upset over the "automaticity" provision in the EU Foreign Sales Corporation (FSC) directive. Charge went over once again points that have been made repeatedly on FSC demarches (Ref B). However, Mejia and Bonet evinced little understanding for U.S. congressional sensitivities on this topic.

MANZANARES